

**VILLAGE OF AKRON
AKRON, MICHIGAN**

**FINANCIAL REPORT
MARCH 31, 2005**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Akron	County Tuscola
Audit Date 3/31/05	Opinion Date 8/8/05	Date Accountant Report Submitted to State: 9/19/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Weinlander Fitzhugh

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City

Bay City

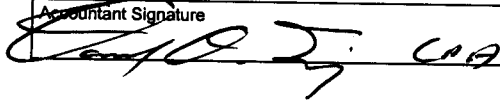
State

MI

ZIP

48708

Accountant Signature



Date

9/19/05

VILLAGE OF AKRON, MICHIGAN

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WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

INDEPENDENT AUDITORS' REPORT

August 8, 2005

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To the Honorable Village Council
Village of Akron
Akron, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Akron, Akron, Michigan as of March 31, 2005 and for the year then ended, which collectively comprise the Village's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Village of Akron's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Akron as of March 31, 2005, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended and interpreted, as of April 1, 2004.

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Honorable Village Council
Village of Akron
August 8, 2005
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The management's discussion and analysis and budgetary comparison information, as noted in the table of contents, is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Village of Akron presents to readers of the Village's financial statements this narrative financial information. It contains an objective overview and analysis of the financial position of the Village as of and for the year ended March 31, 2005. As management of the Village, we encourage readers to consider information contained in this discussion and the Village's financial statements, which follows this section.

Financial Highlights

- The Village's assets exceeded its liabilities at the end of the fiscal year by \$2,100,170.
- Net assets increased slightly by a total of \$13,160, or by approximately .7% of last years total net assets of \$2,087,010.
- The fund balance of the Village's General Fund increased by \$5,667. The fund balance for the other Governmental Funds (Major Street, Local Street, Police, and Fire Funds) increased by \$39,339.
- Significant expenditures for the year ended March 31, 2005 were major repair of fire truck engine \$6,447, airpacks for fire department \$12,000, and sweeper \$27,000.

Financial Statements Overview

This Management Discussion and Analysis serves to introduce to the reader of the Village of Akron's essential financial statements. These financial statements consist of three components as follows:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

The above financial information will provide the reader with a general understanding of the Village's current financial condition. Also, this report contains supplementary information in addition to the basic financial statements which provides a more detailed understanding of the Village's finances.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, similar to private sector businesses.

The **Statement of Net Assets** presents information on all of the assets and liabilities of the Village, with the difference between the two identified as net assets. Over a given period of time increases or decreases in net assets can serve as a useful indicator of improving or declining financial position of the Village.

The Statement of Activities show changes in net assets that occurred during the most recent fiscal year. These changes were recorded on an accrual basis, which distinguishes between the time when a financial transaction occurs and when payment is actually made. An example of accrual accounting is when debt interest payments are scheduled between the fiscal year end. The Statement of Activities will show additional interest expense for the time period between the last interest payment and the end of the fiscal year as an accrual.

The Government-wide Financial Statement, in addition to the Statement of Activities, is broken down into two Activities; Governmental Activities and Business-Type Activities. Governmental activities are primarily supported through tax and intergovernmental revenue. Business-type activities are primarily supported through user fees and charges.

Governmental activities for the Village of Akron include general governmental functions, such as Administration, Village Buildings and Grounds (General government); Police and Fire (Public safety); Major Street, Local Street, Local Street Improvement, Public Works and Park (Highways and public improvements). Business-type activities include the Sewer and Water systems.

Fund Financial Statements

A fund is a set of closely related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The Village of Akron uses fund accounting to demonstrate compliance with legal financial requirements, like all state and local governments. All Village Funds can be categorized as either governmental or proprietary funds.

Governmental Funds account for essentially the same activities as the Governmental Activities in the Government-wide financial statements, but with a narrower focus. Governmental Funds concentrate on near-term inflows and outflows of financial resources and the balances of spendable resources available to the government at the end of the fiscal year. This information can be useful in evaluating the government's short-term financing requirements.

Comparing similar information presented in the Government-wide statements for the Governmental Activities with that presented in Governmental Funds statements can provide useful information because the different focus to the two approaches. With the long-term focus of the Government-wide statements, a reader may be able to better understand the long-term effects of the near term financing decisions. To aid in the comparison, both the Governmental Fund balance sheet and the reconciliation between the Governmental Funds statements to the Governmental Activities in the Government-wide statements.

The Village of Akron uses five different individual Governmental Funds. The Village considers all the funds to be major funds of the Village of Akron. The funds are presented separately in the Fund Financial Statements. The Village adopts an annual appropriated budget for all its Governmental Funds.

The basic governmental fund financial statements can be found as listed in the table of contents.

Proprietary Funds include enterprise funds and an internal service fund. Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. The Internal Service Fund is used to report activities that provide goods or services to other funds or departments of the Village.

The Enterprise Funds maintained by the Village of Akron include the Sewer fund and the Water fund. The Village uses the Internal Service Fund to account for vehicles, and equipment activities. Because they charge fees and charges to outside users of their systems, the Enterprise Funds are included in the Business-type Activities column of the government-wide financial statements. The Internal Service Fund, which accounts for equipment and vehicle that support the Village functions, is included under the Governmental Activities column.

(Continued)

Proprietary Funds present the same information as in government-wide statements, except in more detail. The fund statements for proprietary funds provide separate information for the Sewer fund and Water fund which are considered to be major funds of the Village of Akron.

The basic proprietary fund financial statements can be found as listed in the table of contents.

Notes to the Financial Statements contain additional financial information to give the reader a complete understanding of the information contained in the government-wide and fund financial statements. Although these Notes provide detailed explanation and information related to the financial statements, this information is typically easy for the reader to follow. Notes to the Financial Statements are located after the financial statements as listed in the table of contents.

Other Information

The combining and individual fund statements and schedules are presented as additional information as listed in the table of contents.

Government-wide Financial Analysis

This is the first year the Village of Akron has produced government-wide financial statements. As such, data for fiscal year ending March 31, 2004 related to governmental activities is unavailable.

VILLAGE OF AKRON'S NET ASSETS **March 31, 2005**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets	\$552,220	\$ 141,997	\$ 694,217
Capital assets	160,851	1,293,853	1,454,704
Restricted and other assets		62,770	62,770
Total assets	<u>\$713,071</u>	<u>\$1,498,620</u>	<u>\$2,211,691</u>
Current liabilities	\$ 5,880	\$ 11,954	\$ 17,834
Noncurrent liabilities	31,866	61,821	93,687
Total liabilities	<u>\$ 37,746</u>	<u>\$ 73,775</u>	<u>\$ 111,521</u>
Net assets:			
Invested in capital assets, net of related debt	\$128,985	\$1,225,591	\$1,354,576
Restricted		62,770	62,770
Unrestricted	546,340	136,484	682,824
Total net assets	<u>\$675,325</u>	<u>\$1,424,845</u>	<u>\$2,100,170</u>

As shown in the Statement of Net Assets provided, the largest portion, by far of the Net Assets of the Village of Akron is its investment in capital assets. The Village of Akron uses these capital assets to provide essential services to citizens who live, work or visit the Village. These assets, by design, are not available for future spending. Additionally, even though these capital assets are reported net of any related debt, resources needed to repay this debt must come from other sources, as these assets cannot be used to satisfy their related obligations.

(Continued)

Activities, Governmental and Business-Type

Net assets of Governmental Activities increased by \$53,404 for the year ended March 31, 2005. This is approximately a 8.5% change from beginning net assets. The increase is due to capitalization of capital assets.

Net assets of Business-type Activities decreased by \$40,244 for the year ended March 31, 2005. The amount of change is approximately 2.7% of beginning net assets.

VILLAGE OF AKRON'S CHANGES IN NET ASSETS For the year ended March 31, 2005

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$127,049	\$ 66,591	\$193,640
General revenues:			
Property taxes	65,905	12,124	78,029
State shared revenue	106,096		106,096
Unrestricted investment earnings	4,206	2,244	6,450
Miscellaneous	<u>20,918</u>	<u>1,743</u>	<u>22,661</u>
Total revenue	<u>324,174</u>	<u>82,702</u>	<u>406,876</u>
Expenses:			
General government	48,061		48,061
Public safety	123,943		123,943
Highways and public improvements	78,968		78,968
Sanitation	19,798		19,798
Sewer		78,962	78,962
Water		<u>43,984</u>	<u>43,984</u>
Total expenses	<u>270,770</u>	<u>122,946</u>	<u>393,716</u>
Change in net assets	<u>53,404</u>	<u>(40,244)</u>	<u>13,160</u>
Net assets - Beginning	<u>621,921</u>	<u>1,465,089</u>	<u>2,087,010</u>
Net assets - Ending	<u>\$675,325</u>	<u>\$1,424,845</u>	<u>\$2,100,170</u>

Financial Analysis of Village of Akron's Funds

The Village of Akron's governmental funds provide information on the short-term resource inflows and outflows and account balances at the end of the fiscal year. The total fund balance is a measure of total available resources and the unreserved portion of this total is a measure of the available spendable resources as of March 31, 2005.

For the year ended March 31, 2005, the Village's business type activities reported a combined retained earnings balance of \$503,834; of this amount \$62,770 is reserved for future capital improvements.

General Fund Budgetary Highlights

A major difference in the original budget versus the actual budget was the cost of the water well project.

(Continued)

Capital Assets

The Village of Akron's investment, net of related debt, in capital assets for its governmental and business-type activities combined totaled \$2,100,170. The types of assets in this category are land, buildings, machinery and equipment, park and recreation equipment, water system and sewer collection system. The Village's investment in capital assets equals over sixty-four percent (64%) of total net assets.

VILLAGE OF AKRON'S CAPITAL ASSETS March 31, 2005

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Land	\$ 2,000	\$ 83,034	\$ 85,034
Buildings	121,133		121,133
Equipment	515,865		515,865
Sewer system		1,847,988	1,847,988
Water system		466,617	466,617
Accumulated depreciation	(478,147)	(1,103,786)	(1,581,933)
Net book value	<u>\$160,851</u>	<u>\$1,293,853</u>	<u>\$1,454,704</u>

The Village of Akron's debt consists of a note payable for a fire apparatus due May 15, 2006 in the amount of \$31,866 and a note payable to help finance construction of a new well due November 1, 2013 in the amount of \$68,262.

Economic Factors and Future Budget Issues

For the past several years the Village revenues have remained nearly the same or decreased; while most of the expenses have increased. The Village continues to have property changes but with little change in property values. The Village also relies on 30 to 40% of its General Fund revenue from state revenue sharing from the State of Michigan. With the state making budget cuts to revenue sharing it makes it difficult to stay within the adopted budget without having to make budgetary amendments.

The Village installed a new water well system this year, in order to keep up with the demand placed on the Village's current wells. The new well is being financed in part by an increase in water rates to Village residents and also in part by local financing. The note payable held with a local banking facility will be repaid over a ten year period.

The Village is constantly looking at ways to improve the service to the residents of the Village while staying within the parameters of the adopted budget.

The sanitary sewer fund is improving its monetary status. The Sewer system may be in need of major repairs or replacements of components in the near future. The Village has increased sewer rates to the Village residents in order to help finance future improvements. The Village is making special allotments each fiscal year, planning for future improvements.

(Continued)

Requests for Information

This financial report is designed to give the reader a basic understanding of the Village of Akron's finances. Any questions or requests for financial information contained in this report may be obtained by contacting the Village Clerk, Village of Akron, 4380 Beach Street, Akron, Michigan 48701.

BASIC FINANCIAL STATEMENTS

VILLAGE OF AKRON, MICHIGAN

STATEMENT OF NET ASSETS MARCH 31, 2005

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash	\$ 530,051	\$ 122,621	\$ 652,672
Accounts receivable	26,921	18,414	45,335
Less allowance for doubtful accounts	(3,790)		(3,790)
Internal balances	(962)	962	-
Nondepreciated capital assets	2,000	83,034	85,034
Capital assets	636,998	2,314,605	2,951,603
Less accumulated depreciation	(478,147)	(1,103,786)	(1,581,933)
Restricted assets:			
Cash - Capital improvements		62,770	62,770
TOTAL ASSETS	<u>\$ 713,071</u>	<u>\$ 1,498,620</u>	<u>\$ 2,211,691</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 5,880	\$ 4,316	\$ 10,196
Accrued interest payable		1,197	1,197
Note payable - Fire apparatus	31,866		31,866
Note payable - water well		68,262	68,262
Total liabilities	<u>37,746</u>	<u>73,775</u>	<u>111,521</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	128,985	1,225,591	1,354,576
Restricted for:			
Capital improvements		62,770	62,770
Unrestricted	546,340	136,484	682,824
Total net assets	<u>\$ 675,325</u>	<u>\$ 1,424,845</u>	<u>\$ 2,100,170</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
MARCH 31, 2005

The accompanying notes are an integral part of the financial statements.

VILLAGE OF AKRON, MICHIGAN

BALANCE SHEET - GOVERNMENTAL FUNDS MARCH 31, 2005

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>POLICE</u>	<u>FIRE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>						
Cash	\$ 115,195	\$ 225,576	\$ 114,471	\$ 16,890	\$ 34,914	\$ 507,046
Accounts receivable	13,197	5,570	1,814		6,340	26,921
Less: Allowance for doubtful accounts					(3,790)	(3,790)
TOTAL ASSETS	<u>\$ 128,392</u>	<u>\$ 231,146</u>	<u>\$ 116,285</u>	<u>\$ 16,890</u>	<u>\$ 37,464</u>	<u>\$ 530,177</u>
<u>LIABILITIES AND FUND EQUITY</u>						
Liabilities:						
Accounts payable	\$ 4,091	\$ 11	\$ 7	\$ 919	\$ 293	\$ 5,321
Total liabilities	<u>4,091</u>	<u>11</u>	<u>7</u>	<u>919</u>	<u>293</u>	<u>5,321</u>
Fund equity:						
Fund balance						
Unrestricted	124,301	231,135	116,278	15,971	37,171	524,856
Total fund equity	<u>124,301</u>	<u>231,135</u>	<u>116,278</u>	<u>15,971</u>	<u>37,171</u>	<u>524,856</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 128,392</u>	<u>\$ 231,146</u>	<u>\$ 116,285</u>	<u>\$ 16,890</u>	<u>\$ 37,464</u>	<u>\$ 530,177</u>

VILLAGE OF AKRON, MICHIGAN

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO GOVERNMENTAL ACTIVITIES NET ASSETS
MARCH 31, 2005**

Total governmental fund balances	\$ 524,856
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$638,998 less the accumulated depreciation of \$478,147	160,851
Internal service fund is not included in the governmental funds.	21,484
Long-term liabilities, including notes payable are not due and payable in the current period and, therefore, are not reported in the funds.	(31,866)
Net assets - governmental activities	<u>\$ 675,325</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF AKRON, MICHIGAN
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2005

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>POLICE</u>	<u>FIRE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUE:						
Taxes	\$ 65,905					\$ 65,905
Intergovernmental	51,473	\$ 41,640	\$ 12,983			106,096
Charges for services	25,254					25,254
Protection				\$ 50,005	\$ 51,790	101,795
Miscellaneous	15,352	1,874	847	6,024	1,027	25,124
TOTAL REVENUE	<u>157,984</u>	<u>43,514</u>	<u>13,830</u>	<u>56,029</u>	<u>52,817</u>	<u>324,174</u>
EXPENDITURES:						
Administration	30,561					30,561
Streets		13,249	8,316			21,565
Buildings and grounds	10,944					10,944
Public safety	26,353			50,508	54,778	131,639
Public works	37,770					37,770
Park department	20,487					20,487
Sanitation	19,798					19,798
Capital outlay	6,404					6,404
TOTAL EXPENDITURES	<u>152,317</u>	<u>13,249</u>	<u>8,316</u>	<u>50,508</u>	<u>54,778</u>	<u>279,168</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>5,667</u>	<u>30,265</u>	<u>5,514</u>	<u>5,521</u>	<u>(1,961)</u>	<u>45,006</u>
OTHER FINANCING SOURCES (USES):						
Operating transfer in			7,785			7,785
Operating transfer out		(7,785)				(7,785)
TOTAL OTHER FINANCING SOURCES (USES)		<u>(7,785)</u>	<u>7,785</u>			<u>-</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>5,667</u>	<u>22,480</u>	<u>13,299</u>	<u>5,521</u>	<u>(1,961)</u>	<u>45,006</u>
FUND BALANCE - APRIL 1	118,634	208,655	102,979	10,450	39,132	479,850
FUND BALANCE - MARCH 31	<u>\$ 124,301</u>	<u>\$ 231,135</u>	<u>\$ 116,278</u>	<u>\$ 15,971</u>	<u>\$ 37,171</u>	<u>\$ 524,856</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF AKRON, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2005**

Net change in fund balances - governmental funds		\$ 45,006
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the <i>Statement of Activities</i> , assets with an initial individual cost of more than \$1,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital outlays	24,685	
Depreciation expense	<u>(34,837)</u>	(10,152)
Fire apparatus repayments affect long-term liabilities in the <i>Statement of Net Assets</i> and does not affect the <i>Statements of Activities</i> .		15,031
The net revenue (loss) of certain activities of internal service fund is reported with governmental activities.		3,519
Change in net assets of governmental activities		<u>\$ 53,404</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF AKRON, MICHIGAN

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
MARCH 31, 2005**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
ASSETS	SEWER	WATER	TOTALS	
Current assets:				
Cash	\$ 26,059	\$ 96,562	\$ 122,621	\$ 23,005
Accounts receivable	7,600	10,814	18,414	
Total current assets	<u>33,659</u>	<u>107,376</u>	<u>141,035</u>	<u>23,005</u>
Noncurrent:				
Capital assets	1,929,754	467,885	2,397,639	114,315
Less accumulated depreciation	(884,650)	(219,136)	(1,103,786)	(69,789)
Total noncurrent assets	<u>1,045,104</u>	<u>248,749</u>	<u>1,293,853</u>	<u>44,526</u>
Other assets:				
Cash-Capital improvements	62,770		62,770	
TOTAL ASSETS	<u>\$ 1,141,533</u>	<u>\$ 356,125</u>	<u>\$ 1,497,658</u>	<u>\$ 67,531</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 3,252	\$ 1,064	\$ 4,316	\$ 559
Current portion of loan		6,441	6,441	
Accrued interest payable		1,197	1,197	
Total current	<u>3,252</u>	<u>8,702</u>	<u>11,954</u>	<u>559</u>
Noncurrent:				
Loan payable		61,821	61,821	
Total liabilities	<u>3,252</u>	<u>70,523</u>	<u>73,775</u>	<u>559</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,045,104	180,487	1,225,591	44,526
Restricted for:				
Capital improvements	62,770		62,770	
Unrestricted	30,407	105,115	135,522	22,446
Total net assets	<u>\$ 1,138,281</u>	<u>\$ 285,602</u>	<u>1,423,883</u>	<u>\$ 66,972</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds			962	
Net assets of business-type activities			<u>\$ 1,424,845</u>	

The accompanying notes are an integral part of the financial statements.

VILLAGE OF AKRON, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS YEAR ENDED MARCH 31, 2005

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
	SEWER	WATER	TOTALS	
OPERATING REVENUE:				
Charges for services	\$ 28,062	\$ 40,272	\$ 68,334	\$ 31,814
Property taxes		12,124	12,124	
TOTAL OPERATING REVENUE	<u>28,062</u>	<u>52,396</u>	<u>80,458</u>	<u>31,814</u>
OPERATING EXPENSES:				
Salaries	6,609	4,300	10,909	4,831
Employee benefits	4,281	2,963	7,244	3,192
Office supplies	125	1,046	1,171	13
Operating supplies	551	1,140	1,691	3,377
Administrative fee		2,324	2,324	817
Contracted services	8,038	4,379	12,417	210
Professional fees	1,486	1,155	2,641	676
Insurance	408	840	1,248	2,680
Utilities	2,708	6,346	9,054	
Repairs and maintenance	4,404	112	4,516	2,145
Operations board expense	9,537		9,537	
Equipment rental	3,198	3,631	6,829	
Depreciation	38,067	12,443	50,510	9,392
TOTAL OPERATING EXPENSES	<u>79,412</u>	<u>40,679</u>	<u>120,091</u>	<u>27,333</u>
OPERATING (LOSS) INCOME	<u>(51,350)</u>	<u>11,717</u>	<u>(39,633)</u>	<u>4,481</u>
NONOPERATING REVENUE (EXPENSES):				
Interest on investments	1,188	1,056	2,244	258
Interest expense		(3,817)	(3,817)	
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>1,188</u>	<u>(2,761)</u>	<u>(1,573)</u>	<u>258</u>
CHANGE IN NET ASSETS	<u>(50,162)</u>	<u>8,956</u>	<u>(41,206)</u>	<u>4,739</u>
TOTAL NET ASSETS - BEGINNING	<u>1,188,443</u>	<u>276,646</u>		<u>62,233</u>
TOTAL NET ASSETS - ENDING	<u>\$ 1,138,281</u>	<u>\$ 285,602</u>		<u>\$ 66,972</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds			962	
Changes in net assets of business-type activities			<u>\$ (40,244)</u>	

The accompanying notes are an integral part of the financial statements.

VILLAGE OF AKRON, MICHIGAN

**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2005**

	<u>SEWER</u>	<u>WATER</u>	<u>TOTAL</u>	<u>GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 28,561	\$ 40,334	\$ 68,895	
Property taxes collected		12,124	12,124	
Receipts from interfund services				\$ 31,814
Payments to suppliers of goods and services	(26,934)	(20,044)	(46,978)	(9,703)
Payments to interfund services	(3,198)	(3,631)	(6,829)	
Payments to employees	(6,609)	(4,300)	(10,909)	(4,831)
Payments for fringe benefits	(4,281)	(2,963)	(7,244)	(3,192)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(12,461)</u>	<u>21,520</u>	<u>9,059</u>	<u>14,088</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on note		(6,738)	(6,738)	
Interest paid on note		(2,620)	(2,620)	
Fixed asset additions		(84,063)	(84,063)	(27,000)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		<u>(93,421)</u>	<u>(93,421)</u>	<u>(27,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	1,188	1,056	2,244	258
NET (DECREASE) IN CASH	<u>(11,273)</u>	<u>(70,845)</u>	<u>(82,118)</u>	<u>(12,654)</u>
CASH AND RESTRICTED CASH - APRIL 1	100,102	167,407	267,509	35,659
CASH AND RESTRICTED CASH - MARCH 31	<u>\$ 88,829</u>	<u>\$ 96,562</u>	<u>\$ 185,391</u>	<u>\$ 23,005</u>
Cash Reconciliation:				
Cash in bank	\$ 26,059	\$ 96,562	\$ 122,621	\$ 23,005
Restricted cash-Capital improvements	62,770		62,770	
Total	<u>\$ 88,829</u>	<u>\$ 96,562</u>	<u>\$ 185,391</u>	<u>\$ 23,005</u>

(Continued)

VILLAGE OF AKRON, MICHIGAN

**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2005**

	<u>SEWER</u>	<u>WATER</u>	<u>TOTAL</u>	<u>GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating (loss) income	\$ (51,350)	\$ 11,717	\$ (39,633)	\$ 4,481
Adjustments to reconcile operating (loss) income to net cash provided by operating activities-				
Depreciation	38,067	12,443	50,510	9,392
Change in assets and liabilities:				
(Increase) Decrease in accounts receivable	499	56	555	
(Decrease) Increase in accounts payable	323	(2,696)	(2,373)	215
NET CASH (USED) PROVIDED BY				
OPERATING ACTIVITIES	<u>\$ (12,461)</u>	<u>\$ 21,520</u>	<u>\$ 9,059</u>	<u>\$ 14,088</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF AKRON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the Village are discussed below.

In June 1999, GASB unanimously approved Statement No 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
 - A management Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the Village's activities, including infrastructure (roads, bridges, etc.)
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Village has elected to implement the general provisions of the Statement in the current year.

Reporting Entity

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB 14 pronouncement. The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Village's reporting entity.

Excluded from the reporting entity:

Akron-Fairgrove School District - This potential component unit has a separate elected board and provides services to local residents of the Akron and Fairgrove, Michigan area. The Village does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

VILLAGE OF AKRON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Board of Operations Akron-Fairgrove Wastewater - The Village of Akron and the Village of Fairgrove jointly appoint the board members of the Board of Operations. The Board of Operations is a separate reporting entity with a separate financial statement issued annually. Although the Board of Operations is not considered a component unit, it is considered a jointly governed organization by the Village of Akron and the Village of Fairgrove. The Board operates a raw sewage treatment facility (lagoon) for the Village of Akron and the Village of Fairgrove. The Board of Operations generates revenue by monthly user fees based on gallons pumped by the two Villages. The Village of Akron user fees amounted to \$9,537 the fiscal year ended March 31, 2005. The Villages do not have the ability to exercise influence or control over its daily operations. The related party payable for the fiscal year ended March 31, 2005 is \$2,929 and is included in the Sewer Funds Accounts Payable.

Government Wide and Fund Financial Statements:

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's public safety and general administrative services are classified as governmental activities. The Village sewer system and water system are classified as business-type activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

VILLAGE OF AKRON, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Village are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Village.

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Village reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Major Street Fund and the Local Street Fund are special revenue funds used to account for revenue from state revenue sharing. The Fire Fund is a special revenue fund used to account for revenue from charges for service for fire protection. The Police Fund is a special revenue fund used to account for revenue from charges for service for police protection.

The Village reports the following major proprietary funds:

The Sewer Fund is used to account for the sewer operations in the Village and the Water Fund provides water to residents of the Village.

Additionally, the Village reports the following nonmajor fund type:

Internal Service Funds (Equipment Rental Fund) - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

(CONTINUED)

VILLAGE OF AKRON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the utility enterprise funds and the Village's internal service fund are charges to customers for use of the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting:

The Village Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Village charter, prior to March 1, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Village submits the budget in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to March 31 the budget is legally enacted through passage of a resolution.
4. The Village Clerk presents a monthly report to the Village Council explaining any variance from the approved budget.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse at the end of each fiscal year.
8. The Village Council may authorize supplemental appropriations during the year. Budget amendments are approved at monthly council meetings. The Village Council did approve amendments to the adopted budget for the fiscal year ended March 31, 2005.

During the year ended March 31, 2005, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>MAJOR STREET</u>			
Winter maintenance	\$1,700	\$3,352	\$1,652
<u>LOCAL STREET</u>			
Traffic services	650	1,684	1,034
Winter maintenance	1,800	2,659	859

Cash and Cash Equivalents:

Cash and cash equivalents of the Village include cash on hand and all deposits with financial institutions, including all certificates of deposits.

CONTINUED)

VILLAGE OF AKRON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Other receivables at March 31, 2005 consist of billings for user charged services, including utility services.

Property Taxes:

Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied on the following July 1 and are payable without penalty through September 1. The Village bills and collects its own property taxes. Village property tax revenue is recognized as revenue in the fiscal year levied to the extent that they are measurable and available in accordance with NCGA interpretation 3 (Revenue Recognition - Property Taxes).

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB 34. The Village will not retroactively capitalize the major infrastructure assets acquired on or before March 31, 2004 as permitted by GASB 34.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

(CONTINUED)

VILLAGE OF AKRON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

<u>Assets</u>	<u>Years</u>
Buildings	20 to 50
Office equipment	5 to 7
Machinery and equipment	5 to 7
Vehicles	5
Improvements other than buildings	15 to 20
Sewer collection and water system	10 to 50

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental fund Statement of Net Assets. Depreciation expense for the year ended March 31, 2005, was \$44,228. Capital asset acquisitions in the governmental funds totaled \$51,685 for the year ended March 31, 2005. There were no capital asset disposals for the year ended March 31, 2005. A summary of Governmental Fund Capital assets at March 31, 2005, follows:

Land	\$ 2,000
Buildings	121,133
Equipment	401,550
Internal Service Fund assets	114,315
Total capital assets	637,398
Less accumulated depreciation	(478,147)
Net Governmental Fund Capital Assets	<u>\$160,851</u>

Depreciation of capital assets used by business-type funds is charged as an expense against their operations. Accumulated depreciation is reported on business-type fund balance sheets. Depreciation expense for the year ended March 31, 2005, was \$50,509. Capital asset acquisitions in the business-type funds totaled \$169,261 for the year ended March 31, 2005. There were no capital asset disposals for the year ended March 31, 2005. A summary of Business-Type Fund capital assets at March 31, 2005, follows:

Land	\$ 83,034
Water system	466,617
Sewer system	1,847,988
Total capital assets	2,397,639
Less accumulated depreciation	(1,103,786)
Net Business-Type Capital Assets	<u>\$1,293,853</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 7,082
Public safety	25,783
Highways and public improvement	1,972
Equipment rental service	9,391
Total depreciation expense – Governmental activities	<u>\$44,228</u>
Business-type activities:	
Utility services	<u>\$50,509</u>

(CONTINUED)

VILLAGE OF AKRON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Long-term Debt:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences:

The Village of Akron employees are allowed to accumulate a maximum of sixty days of sick leave. In the event of death, termination of employment or retirement of an employee, sick leave accumulation is paid to the employee at one-half his current rate of pay. There is no accumulation of unused vacation days allowed. The compensated absences accrual for the year ended March 31, 2005 is insignificant and not reported in governmental funds or government-wide statements.

Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statement. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - CASH DEPOSITS:

Michigan Compiled Laws Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority. The Village has authorized management to deposit and invest in the accounts of federally insured banks and savings and loan associations within the State of Michigan and bonds, securities and other obligations of the United States, or any agency of the United States in which the principal and interest is fully guaranteed by the United States. The Village's deposits and investments are within the authorization as set forth by the Village of Akron.

(CONTINUED)

VILLAGE OF AKRON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 2 - CASH DEPOSITS: (CONTINUED)

The carrying amount of cash and deposits with financial institutions of the Village of Akron amounted to \$715,442 at March 31, 2005. Of the deposits, \$62,770 is restricted for capital improvements. The total bank balance as of the same date was \$721,506. Deposits with financial institutions are categorized as follows:

Amount insured by the FDIC	\$125,504
Amount insured by the NCUA	63,386
Uncollateralized	<u>533,616</u>
Total deposits with financial institutions	<u>\$721,506</u>

All deposits categorized as uncollateralized are the property of the Village of Akron.

The amount of uncollateralized deposits throughout the fiscal year did not significantly exceed the amount of uncollateralized deposits at March 31, 2005.

NOTE 3 - LONG-TERM DEBT:

The Village of Akron purchased a commercial fire pumper in the amount of \$158,124 on March 29, 1999. The Village of Akron helped finance this purchase with a note payable in the amount of \$99,999 from a local bank. The note is secured by the commercial fire pumper. The note terms are annual installments on May 15, in the amount of \$17,500 including interest. The note carries a fixed interest rate of 5.25% per annum. The principal balance of the note as of March 31, 2005 was \$31,866.

Maturity of debt as follows:

<u>YEAR ENDING</u> <u>MARCH 31,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2006	\$15,827	\$1673	\$17,500
2007	<u>16,039</u>	<u>842</u>	<u>16,881</u>
	<u>\$31,866</u>	<u>\$2,515</u>	<u>\$34,381</u>

The Village of Akron drilled and tested a new water well. To help finance the project the Village obtained a loan from Chemical Bank and Trust Company. Following is a payment schedule and the terms of the note.

<u>YEARS ENDING</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2006	\$ 6,441	\$ 2,917	\$ 9,358
2007	6,713	2,645	9,358
2008	6,999	2,359	9,358
2009	7,295	2,063	9,358
2010	7,611	1,747	9,358
2011 - 2014	<u>33,203</u>	<u>3,587</u>	<u>36,790</u>
	<u>\$68,262</u>	<u>\$15,318</u>	<u>\$83,380</u>

Payment of the note is due in annual installments of \$9,358 including interest of 4.24% per annum. The note matures on November 1, 2013.

(CONTINUED)

VILLAGE OF AKRON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 4 - CONTINGENT LIABILITY:

The Village is a reimbursing employer for purposes of unemployment insurance claims against the Village. The Village reimburses the State of Michigan for all benefits charged against it in the event of termination of employment and subsequent claims of its employees. The contingent liability for unemployment insurance claims is not recognized in the accompanying financial statements. This expense is recognized as incurred.

NOTE 5 - RISK MANAGEMENT:

General Liability:

Village of Akron participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$786,908 for real and personal property losses and \$2 million for liability losses. Village of Akron is required to pay annual premiums to the Michigan Municipal Liability and Property Pool for the liability coverage. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Worker's Compensation:

Village of Akron participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool for the coverage of losses related to worker's compensation claims. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$500,000. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Employee Health Care:

Village of Akron purchased commercial insurance coverage for its employee and dependents.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF AKRON, MICHIGAN

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
REVENUE:				
Taxes:				
Current property taxes	\$ 74,755	\$ 74,755	\$ 65,905	\$ (8,850)
Intergovernmental:				
State revenue sharing	45,000	45,000	51,473	6,473
Charges for services:				
Garbage service	25,500	25,500	24,509	(991)
Penalties and interest	400	400	745	345
Total charges for services	<u>25,900</u>	<u>25,900</u>	<u>25,254</u>	<u>(646)</u>
Miscellaneous:				
Interest income	2,500	2,500	921	(1,579)
Miscellaneous	5,000	5,000	14,431	9,431
Total miscellaneous	<u>7,500</u>	<u>7,500</u>	<u>15,352</u>	<u>7,852</u>
TOTAL REVENUE	<u>153,155</u>	<u>153,155</u>	<u>157,984</u>	<u>4,829</u>
EXPENDITURES:				
Administration:				
Salaries-Elected officials	22,000	22,000	14,144	7,856
Employee benefits	17,530	17,530	1,082	16,448
Printing and supplies	4,700	4,700	975	3,725
Accounting and audit fees	2,600	2,600	2,027	573
Contracted services	2,000	2,000	1,749	251
Insurance and bonds	6,000	7,000	6,949	51
Legal fees	3,000	3,000	825	2,175
Telephone	600	600	452	148
Publishing of legal notices	2,000	2,000	530	1,470
Miscellaneous	1,000	1,600	1,513	87
Membership dues	500	500	270	230
Conferences and workshops	100	100	45	55
Total administration	<u>62,030</u>	<u>63,630</u>	<u>30,561</u>	<u>33,069</u>

VILLAGE OF AKRON, MICHIGAN

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2005**

EXPENDITURES: (CONTINUED)	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Buildings and grounds:				
Salaries	2,500	2,500	2,886	(386)
Employee benefits	1,250	1,250	1,869	(619)
Utilities	4,300	4,300	4,710	(410)
Repairs and maintenance	500	500	281	219
Miscellaneous	600	600	99	501
Insurance	1,500	1,500	796	704
Supplies	1,000	1,000	303	697
Total buildings and grounds	<u>11,650</u>	<u>11,650</u>	<u>10,944</u>	<u>706</u>
Public safety:				
Fire department	5,000	7,500	7,491	9
Police department	20,000	20,000	18,862	1,138
Total public safety	<u>25,000</u>	<u>27,500</u>	<u>26,353</u>	<u>1,147</u>
Public works department:				
Salaries	9,000	9,000	7,560	1,440
Employee benefits	3,500	3,500	4,897	(1,397)
Street lighting	13,000	13,000	12,736	264
Equipment rental	6,000	6,000	6,242	(242)
Christmas decorations	500	500	27	473
Contracted services	200	3,200	2,931	269
Parking lot maintenance	-	614	614	-
Tools and supplies	1,100	1,542	877	665
Miscellaneous	550	1,592	1,886	(294)
Total public works department	<u>33,850</u>	<u>38,948</u>	<u>37,770</u>	<u>1,178</u>
Park department:				
Salaries	4,500	5,000	5,638	(638)
Employee benefits	2,500	2,500	3,652	(1,152)
Utilities	1,500	1,500	1,007	493
Repairs and maintenance	500	500	135	365
Equipment rental	5,000	9,000	8,798	202
Insurance	300	300	221	79
Materials and supplies	1,400	1,400	1,036	364
Total park department	<u>15,700</u>	<u>20,200</u>	<u>20,487</u>	<u>(287)</u>

VILLAGE OF AKRON, MICHIGAN

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES: (CONTINUED)				
Sanitation:				
Contracted services-garbage	<u>24,852</u>	<u>24,852</u>	<u>19,798</u>	<u>5,054</u>
Capital outlay:				
Administration	500	500	220	280
Buildings and grounds	7,500	10,340	5,492	4,848
Public works	750	750		750
Park department	<u>2,000</u>	<u>2,000</u>	<u>692</u>	<u>1,308</u>
Total capital outlay	<u>10,750</u>	<u>13,590</u>	<u>6,404</u>	<u>7,186</u>
TOTAL EXPENDITURES	<u>183,832</u>	<u>200,370</u>	<u>152,317</u>	<u>48,053</u>
EXCESS OF REVENUE (UNDER) OVER EXPENDITURES	<u>(30,677)</u>	<u>(47,215)</u>	<u>5,667</u>	<u>52,882</u>
FUND BALANCE - APRIL 1	118,634	118,634	118,634	
FUND BALANCE - MARCH 31	<u>\$ 87,957</u>	<u>\$ 71,419</u>	<u>\$ 124,301</u>	<u>\$ 52,882</u>

VILLAGE OF AKRON, MICHIGAN

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - MAJOR STREET FUND
FOR THE YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
REVENUE:				
Intergovernmental:				
County - Road improvement	\$ 4,200	\$ 4,200	\$ 10,501	\$ 6,301
Gas and weight tax	27,000	27,000	31,139	4,139
Miscellaneous:				
Interest income	3,200	3,200	1,756	(1,444)
Miscellaneous	-	-	118	118
TOTAL REVENUE	<u>34,400</u>	<u>34,400</u>	<u>43,514</u>	<u>9,114</u>
EXPENDITURES:				
Construction	525	3,025	2,566	459
Routine maintenance	4,000	4,400	3,606	794
Traffic services	1,100	2,275	2,240	35
Winter maintenance	1,700	1,700	3,352	(1,652)
Administrative	1,350	1,638	1,485	153
TOTAL EXPENDITURES	<u>8,675</u>	<u>13,038</u>	<u>13,249</u>	<u>(211)</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>25,725</u>	<u>21,362</u>	<u>30,265</u>	<u>8,903</u>
OTHER FINANCING (USES):				
Operating transfers out	(7,931)	(7,931)	(7,785)	146
EXCESS OF REVENUE OVER EXPENDITURES AND OTHER USES	<u>17,794</u>	<u>13,431</u>	<u>22,480</u>	<u>9,049</u>
FUND BALANCE - APRIL 1	208,655	208,655	208,655	
FUND BALANCE - MARCH 31	<u>\$ 226,449</u>	<u>\$ 222,086</u>	<u>\$ 231,135</u>	<u>\$ 9,049</u>

VILLAGE OF AKRON, MICHIGAN

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - LOCAL STREET FUND FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Intergovernmental:				
Gas and weight tax	\$ 8,000	\$ 8,000	\$ 10,135	\$ 2,135
Voted bridge tax	1,500	1,500	2,848	1,348
Miscellaneous:				
Interest income	2,000	2,000	847	(1,153)
TOTAL REVENUE	<u>11,500</u>	<u>11,500</u>	<u>13,830</u>	<u>2,330</u>
EXPENDITURES:				
Construction	9,000	9,000	69	8,931
Routine maintenance	5,100	5,100	3,325	1,775
Traffic services	350	650	1,684	(1,034)
Winter maintenance	1,800	1,800	2,659	(859)
Administrative	750	750	579	171
TOTAL EXPENDITURES	<u>17,000</u>	<u>17,300</u>	<u>8,316</u>	<u>8,984</u>
EXCESS OF REVENUE (UNDER) OVER EXPENDITURES	<u>(5,500)</u>	<u>(5,800)</u>	<u>5,514</u>	<u>11,314</u>
OTHER FINANCING SOURCES:				
Operating transfers in	7,931	7,931	7,785	(146)
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	<u>2,431</u>	<u>2,131</u>	<u>13,299</u>	<u>11,168</u>
FUND BALANCE - APRIL 1	102,979	102,979	102,979	
FUND BALANCE - MARCH 31	<u>\$ 105,410</u>	<u>\$ 105,110</u>	<u>\$ 116,278</u>	<u>\$ 11,168</u>

VILLAGE OF AKRON, MICHIGAN

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - POLICE FUND FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Protection				
Police protection	\$ 50,005	\$ 50,005	\$ 50,005	
Fines and fees	5,000	5,000	3,680	\$ (1,320)
Total protection	<u>55,005</u>	<u>55,005</u>	<u>53,685</u>	<u>(1,320)</u>
Miscellaneous:				
Miscellaneous income	-	-	1,990	1,990
Interest earnings			354	354
Total miscellaneous			<u>2,344</u>	<u>2,344</u>
TOTAL REVENUE	<u>55,005</u>	<u>55,005</u>	<u>56,029</u>	<u>1,024</u>
EXPENDITURES:				
Salaries and wages	30,160	30,160	31,945	(1,785)
Employee benefits	4,875	4,875	3,620	1,255
Office supplies	1,400	1,400	723	677
Uniforms	500	500	225	275
Administrative fees	800	800	738	62
Education and training	500	500		500
Gas and oil	2,000	2,745	2,994	(249)
Professional fees	300	450	338	112
Insurance	4,000	4,400	4,378	22
Utilities	600	800	1,002	(202)
Police car maintenance	600	800	717	83
Miscellaneous	1,270	1,270	939	331
Capital outlay	-	2,000	2,889	(889)
TOTAL EXPENDITURES	<u>47,005</u>	<u>50,700</u>	<u>50,508</u>	<u>192</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>8,000</u>	<u>4,305</u>	<u>5,521</u>	<u>1,216</u>
FUND BALANCE - APRIL 1	10,450	10,450	10,450	
FUND BALANCE - MARCH 31	<u>\$ 18,450</u>	<u>\$ 14,755</u>	<u>\$ 15,971</u>	<u>\$ 1,216</u>

VILLAGE OF AKRON, MICHIGAN

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - FIRE FUND FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Fire runs and protection	\$ 47,023	\$ 47,023	\$ 51,790	\$ 4,767
Miscellaneous:				
Miscellaneous income	-	-	699	699
Interest income	-	-	328	328
Total Miscellaneous			1,027	1,027
TOTAL REVENUE	<u>47,023</u>	<u>47,023</u>	<u>52,817</u>	<u>5,794</u>
EXPENDITURES:				
Firemen's pay	10,500	10,500	7,765	2,735
Employee benefits	800	800	594	206
Supplies	800	800	355	445
Professional fees	800	800	589	211
Education and training	1,500	1,500	95	1,405
Gas and oil	1,500	1,500	854	646
Insurance	4,700	4,700	3,466	1,234
Utilities	800	900	881	19
Repairs and maintenance	3,500	3,500	2,843	657
Miscellaneous	400	900	987	(87)
Memberships and dues	150	150	75	75
Capital outlay	4,231	18,800	18,774	26
Debt service	16,669	17,500	17,500	
TOTAL EXPENDITURES	<u>46,350</u>	<u>62,350</u>	<u>54,778</u>	<u>7,572</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>673</u>	<u>(15,327)</u>	<u>(1,961)</u>	<u>13,366</u>
FUND BALANCE - APRIL 1	39,132	39,132	39,132	
FUND BALANCE - MARCH 31	<u>\$ 39,805</u>	<u>\$ 23,805</u>	<u>\$ 37,171</u>	<u>\$ 13,366</u>